

## **103 KAR 26:050. Common carriers.**

RELATES TO: KRS 139.470, 139.480

STATUTORY AUTHORITY: KRS 131.130(1)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 131.130(1) authorizes the Department of Revenue to promulgate administrative regulations for the administration and enforcement of Kentucky tax laws. This administrative regulation interprets the sales and use tax law as it applies to transactions involving common carriers.

Section 1. Definition. "Rolling stock" means only that equipment designed to move on rails and used for the transportation of goods or passengers for hire.

Section 2. All tangible personal property, digital property, admissions, accommodations, and taxable services sold to or used by common carriers in this state shall be subject to application of the sales or use tax with the exceptions noted in Section 3 of this administrative regulation. Tax shall be applicable to leasing arrangements, or use pursuant to leasing arrangements, whereby items of equipment (including things such as tires or batteries) are acquired by common carriers for utilization over extended periods of time in connection with operations. The purchases, uses, leases, and uses pursuant to leases shall be subject to the exceptions and qualifications in Section 3 of this administrative regulation.

Section 3. The following shall be excepted from application of the sales or use tax:

(1) Over the road equipment which enters this state in actual use in interstate commerce at the time of entering, and is used exclusively in interstate commerce thereafter. This exception shall not be void due to nominal use in intrastate commerce.

(2) Ships, vessels, and related equipment which enter this state in actual use in interstate commerce at the time of entering and are used exclusively in interstate commerce thereafter. This exception shall not be void due to nominal use in intrastate commerce.

(3) Locomotives or rolling stock, including materials for the construction, repair, or modification thereof, or fuel or supplies for the direct operation of locomotives or trains, used or to be used in interstate commerce. Supplies shall not include items used for construction, maintenance, or support of the railway system.

(4) Aircraft, repair and replacement parts therefor, and supplies, except fuel, for the direct operation of aircraft in interstate commerce and used exclusively for the conveyance of property or passengers for hire. This exception shall not be void due to nominal use in intrastate commerce. (SU-43-1; 1 Ky.R. 229; eff. 1-8-1975; 9 Ky.R. 1152; eff. 5-4-1983; 13 Ky.R. 1084; eff. 1-13-1987; TAm eff. 5-20-2009; TAm eff. 6-22-2016; Crt eff. 1-28-2020; 46 Ky.R. 1281; 2024; eff. 4-1-2020.)